

Realty Trust Review

May 14, 1973

VOL. IV, No. 9

VALUE GUIDE TO SHORT-TERM MORTGAGE TRUST REVIEWED IN THIS ISSUE

Trust	Assets (Mil.\$)	Port. Yield ^①	-6Mo. Port. Chng. ^①	Lever. Ratio ^②	Price	Page	
Atico Mtg.	\$ 89.9	12.83%	- 7	24%	0.40	\$19.13	2
—Citizens Mtg.	73.7	10.71	41	20	2.64	17.50	2
Colwell Mtg.	125.7	11.63	36	27	1.96	29.63	3
—First Cont.	30.3	11.53	16	15	1.85	11.88	3
Fraser Mtg.	50.2	11.08	- 6	5	1.81	20.00	3
—Galbreath MI	69.8	10.37	0	0	1.17	26.25	4
Guardian Mtg.	319.0	10.92	45	17	2.99	40.13	8
—Hamilton Inv.	95.9	10.85	38	20	2.51	17.50	7
Heitman Mtg.	137.4	11.87	30	18	1.17	12.88	4
—Justice Mtg.	58.7	12.50	69	56	1.79	23.13	4
^② KMC Mtg. Inv.	32.1	10.05	10	5	1.09	11.00	5
Larwin Mtg.	135.3	10.82	20	20	2.55	27.00	8
Lomas & Net. MI	348.7	9.95	40	3	1.80	43.00	5
—M&T Mtg. Inv.	37.3	10.08	5	10	1.44	11.75	5
Midland Mtg.	105.0	10.76	15	21	2.03	15.63	6
—National MF	69.1	11.59	27	30	1.46	13.75	8
No. Am. Mtg.	203.8	11.69	9	15	2.09	25.88	6
—Palomar Mtg.	67.9	11.03	23	15	1.80	15.75	6
Sutro Mtg.	91.2	10.17	26	25	0.56	16.75	7
—Texas Fir. Mt.	60.3	11.24	22	30	2.02	19.63	7
TOTAL/AVG.	\$2,201.3	11.08%	23%	19%	1.76		

Leverage ratio is ratio of non-convertible debt to capital (equity plus convertibles).

MORTGAGE BANKER-SPONSORED TRUST PRESENT CONTRASTING OPPORTUNITIES

Mortgage banker-sponsored trusts deserve the attention of investors, and especially small investors, because their sponsors are by and large old hands at the business of retailing money (which is what short-term mortgage trusts are all about). Mortgage bankers are local and regional mortgage and real estate financing specialists; they originate and service mortgages for investors located outside their local areas, and hence operate as the eyes and ears for these investors.

The mortgage bankers were among the first on the scene when trusts became fashionable in 1969 but were shoved into the background when the mammoth institutional trusts emerged in 1970. Now most mortgage banker-trusts have emerged from one turn of the real estate credit cycle with some battle scars but toughness and strong reputations.

Most mortgage banker trusts have demonstrated their ability to generate sound earnings assets; investments of the 20 trusts reviewed rose 23% the last six months, right in line with the 26% gain we had anticipated. A slightly smaller gain is in sight for the next six months. These asset gains were translated into 6.8% and 7.3% gains in annualized earnings and dividends respectively.

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The group offers trusts among the very largest to small regionals. *North American Mortgage* appears the best current value, since its share price has been hammered down by a misleading newspaper report at a time when both quality and quantity of loan opportunities are rising. Two other very large trusts, *Lomas & Nettleton Mortgage* and *Guardian Mortgage*, have very handsome yields but buyers must accept some price volatility in the shares stemming from their broad institutional ownership. For investors seeking limited price volatility but stable dividend yield which appears well secured, we suggest some of the regionals like *M&T Mortgage*, *Texas First Mortgage*, *First Continental RE*, *Midland Mortgage*, *Sutro Mortgage*, *Colwell Mortgage*, *Justice Mortgage*.

Comments on issues with large price swings: *First Wisconsin Mortgage* fell 14% from 44 to 38 on news it had \$11.1 million (6.8% of assets) loaned to a Midwestern builder incurring cost overruns. Management feels it will not sustain any losses. Purchases at these lower prices should be rewarding for income (about 10.6%) and possible price recovery.

You'll be hearing that *Continental Illinois Realty* holds some loans to Equity Funding affiliates. We doubt there's cause for alarm. Three loans are to a \$6M limited partnership sponsored by Equity Funding last year and are current. Fourth is a land loan to development subsidiary of Equity Funding, whose owners are seeking rescission of their 1971 acquisition by EF. Like everyone else, they're claiming fraud.

ATICO MORTGAGE INVESTORS (NYSE-ACO)--FY ends Oct. 31--Price: \$19.13

Investment Record-Mil.\$-----			Key Ratios-----			Share Results-----		
Quar.	Assets	Port.	Equity	Port.Yield	Cap. Ret.	EPS Prim.	Diluted	Div.
10/72	\$96.2	\$86.3	\$37.5	12.28%	12.23%	\$0.61	\$0.41	\$0.56
1/73	90.1	80.1	43.0	12.74	11.47	0.58	0.45	0.56
4/73	89.9	80.6	44.4	12.83	10.64	0.50	0.45	0.47
RANK	58	60	41	25	51	--	--	--

Portfolio dynamics: Holdings dipped 7% over the last 2 qtrs. Current portfolio of \$80.6M is 57% constr.; 14% devel.; 12% land; 6% junior; 5% wrap-around; 4% intermediate; 2% sale leasebacks. Some 70% of investments are located in Florida with the remainder in 13 other states. Trust has 2 loans amounting to \$4.8M in foreclosure and management expects no loss of principal in either. About 65% of loans are tied to prime and new loans are being tied to prime. Management expects portfolio to reach \$100M in next 6 months, a 24% gain, with breakdown unchanged. Financing: Capital of trust is \$63.3M with \$44.4M in equity (w. 2.69M shares); \$17.0M 6 3/4% subor. convt. deben.; \$1.9M 6 1/4% subor. convt. deben. Debt is \$25.1M, all short-term notes. Trust negotiating a \$25M, 7 year term loan at 120% of prime for first 5 years and 125% of prime for the remaining 2 years. Adviser: Atico Advisory Corp., sub. of Atico Financial Corp. Six month outlook: Lower earnings and dividends in April quarter were attributable to a higher number of shares outstanding and to lower commitment fees. Estimated higher fundings and rising portfolio yield should produce some rebound in dividends and earnings. Overhang of 37% due to warrants a minor negative. Shares carry 10.0% est. yield and are viewed as speculative recovery candidate.(VCK)

CITIZENS MORTGAGE INVESTMENT TRUST (ASE-CZM)--FY ends Dec. 31--Price: \$17.50

Investment Record-Mil.\$-----			Key Ratios-----			Share Results-----		
Quar.	Assets	Port.	Equity	Port.Yield	Cap. Ret.	EPS Prim.	Diluted	Div.
9/72	\$50.1	\$46.4	\$19.8	10.85%	10.66%	\$0.375	\$0.375	\$0.37
12/72	64.7	58.3	19.4	11.45	14.01	0.49	0.41	0.40
3/73	73.7	65.5	20.0	10.71	13.47	0.43	0.40	0.43
RANK	64	64	84	87	19	--	--	--

Portfolio dynamics: Investments rose 41% the last 2 qtrs. Current portfolio of \$65.5M is 65% constr.; 15% land/devel.; 10% intermediate; 5% second mtg.; 4% wrap-around; 1% land purchase leasebacks. About 53% of loans are located in Michigan with the remainder in 19 other states. Trust has a \$702T problem loan and mgmt. expects to sustain no loss of interest and principal. Over half of current investments are tied to prime and all new loans are being tied to prime. We expect about a 20% fundings gain in next 6 months. Financing: Capital of trust is \$20.0M, all equity with 1.41M shares. Debt amounts to \$52.8M with \$32.9M notes and \$19.9M commercial paper. On April 18, 1973 trust sold \$20M of 8 1/2% senior sub. notes due 1980 at 99.75% thru Goldman Sachs. Adviser: Citizens Mtg. Co., sub. of U.S. Industries. Sale of Citizens to Manufacturers Hanover Corp., N.Y.C. one-bank holding company, awaits regulatory approval. Six month outlook: Gain in fundings may not be able to offset lower portfolio yield. The higher cost of borrowed money due to latest offering could also put pressure on earnings and dividend increases. An overhang of 50% due to warrants a negative. December quar. earnings of \$0.49 benefitted from a substantial amount of commitment fee income. Shares carry an attractive 9.9% est. yield. (VCK)

COLWELL MORTGAGE TRUST (ASE-CLM)--FY ends Dec. 31--Price: \$29.63

-----Investment Record-Mil.\$-----				-----Key ratios-----		-----Share Results-----		
Quar.	Assets	Port.	Equity	Port. Yield	Cap. Ret.	EPS Prim.	Diluted	Div.
9/72	\$ 93.7	\$ 92.5	\$31.6	12.07%	13.71%	\$0.78	\$0.65	\$0.70
12/72	111.8	108.9	36.9	11.57	14.90	0.82	0.65	0.72
3/73	128.6	125.7	40.3	11.63	15.81	0.84	NR	0.74a
RANK	38	35	46	44	7	--	a-approximate --	

Portfolio dynamics: Holdings gained 36% the last 6 months. Current portfolio of \$125.7M is 94% first mtg.; 5% real estate; 1% junior mtg. Holdings are located in 22 states with concentrations in Tex., La. and Okla. Trust has served a notice of default on a \$770T loan and management expects a gain on disposition. Some 86% of loans are tied to prime and new loans are being tied to prime. Management expects portfolio to reach \$170M by Dec.'73, a 35% gain from March,'73. Financing: Capital is \$42.9M with \$40.3M in equity (w. 1.88M shares) and \$2.6M 6½% convt. debent. due 1991. Debt amounts to \$83.9M with \$56.4M short-term notes; \$25.0M 8.20% senior subor. notes; \$2.5M mtg. On March 13, 1973 trust offered \$25M of 8.20% senior subor. notes due 1980 thru Dean Witter and Smith, Barney. No other offering in next 6 months. Adviser: Colwell Mgmt. Co., subsidiary of The Colwell Co., a mtg. banker which is being acquired by Charter New York Corp. (Irving Trust). Six month outlook: Good gains in fundings & slight rise in portfolio yield should produce earnings and dividend gains. An estimated dilution of 32% due to wts. a minor negative. Acquisition of parent by Irving Trust should add to already strong origination capabilities. Shares provide attractive yield. (VCK)

FIRST CONTINENTAL REAL ESTATE INVESTMENT TRUST (OTC-FCRES)--FY ends Feb. 28/29--Price:\$11.88

-----Investment Record-Mil.\$-----				-----Key Ratios-----		-----Share Results-----		
Quar.	Assets	Port.	Equity	Port. Yield	Cap. Ret.	EPS Prim.	Diluted	
8/72	\$ 25.6	\$24.2	\$10.6	10.89%	12.21%	\$0.28	\$0.26	
11/72	28.9	27.6	10.7	11.48	14.24	0.34	0.32	
2/73	30.3	28.0	10.2	11.53	15.09	0.35	0.42	
RANK	111	114	110	53	11	--	--	

Portfolio dynamics: Holdings increased by 16% over the last 2 qtrs. Current portfolio of \$28.0M is 51% land devel.; 45% constr.; 2% land; 2% other. All loans are located in Texas, mainly Houston and Dallas-Fort Worth areas. There are no problem loans. All loans are tied to prime with bulk of new loans being tied to prime although some new loans have been tied to commercial paper rate. We expect fundings to grow by 15% over the next 6 months. Financing: Capital of trust is \$10.2M, all equity with 1.12M shares. Debt is \$19.0M, all short term notes. On April 12, 1973 the trust sold 900T shares at \$12.25 thru L.M. Rosenthal & Co. Adviser: First Continental Mortgage Advisers, Inc., subsidiary of First Continental Corp. Six month outlook: Good growth in fundings coupled with a widening portfolio yield and no dilution should produce earnings gains sufficient to overcome the 80% rise in outstanding shares via the recent offering. Shares carry above-average yield and have regional representation. (VCK)

FRASER MORTGAGE INVESTMENT (OTC-FRASS)--FY ends May 31--Price:\$20.00

-----Investment Record-Mil.\$-----				-----Key Ratios-----		-----Share Results-----		
Quar.	Assets	Port.	Equity	Port. Yield	Cap. Ret.	EPS Prim.	Div.	
8/72	\$52.8	\$49.5	\$17.7	11.10%	13.15%	\$0.56	\$0.56	
11/72	51.2	47.3	17.7	11.28	13.25	0.56	0.56	
2/73	50.2	46.5	17.6	11.08	12.16	0.52	0.52	
RANK	86	87	90	68	37	--	--	

Portfolio dynamics: Holdings decreased 6% over the last 2 qtrs. Current portfolio of \$46.5M is 49% constr.; 19% long-term first mtg.; 15% other short-term; 7% short-term second mtg.; 7% long-term second mtg.; 3% land. Investment are located in 16 states with concentrations in Fla. and Ohio. There are no problem loans in portfolio. About 70% of present loans are tied to prime and new loans are being tied to prime. We are estimating a 5% growth in fundings the next 6 months. Financing: Capital of trust is \$17.6M, all equity with 1.04M shares. Debt amounts to \$31.9M short-term notes and commercial paper. No public financing planned next 6 months. Adviser: Fraser Mortgage Co., an Ohio mtg. banker. Six month outlook: Slow growth in fundings and slight drop in portfolio yield indicate level or declining earnings and dividends. No dilution due to warrants. Shares provide above average 10.4% est. yield. (VCK)

GALBREATH FIRST MORTGAGE INVESTMENTS (OTC-GALBS)--FY ends Mar. 31--Price: \$26.25

-----Investment Record-Mil.\$-----				-----Key Ratios-----		-----Share Results-----		
Quar.	Assets	Port.	Equity	Port. Yield	Cap. Ret.	EPS Prim.	Diluted	Div.
9/72	\$ 71.1	\$62.9	\$23.5	10.36%	10.34%	\$0.66	\$0.60	\$0.66
12/72	68.7	60.3	24.3	10.19	9.83	0.62	0.58	0.62
3/73	69.8	63.0	24.7	10.37	9.61	0.61	0.64	0.60
RANK	67	67	74	96	77	--	--	--

Portfolio dynamics: Fundings held even the last 6 months. Current portfolio of \$63.0M is 69% constr. & devel.; 17% commercial permanent; 13% FHA-VA permanent; 1% real estate. Trust has one loan of \$867T on which it is not accruing interest. About 55% of portfolio is tied to prime while 73% of constr. loans are tied to prime. New loans are being tied to prime or $\frac{1}{2}\%$ above the commercial paper rate, whichever is higher. Management expects no gain in the funded portfolio over the next 6 months. Financing: Capital amounts to \$31.4M with \$24.7M in equity (w. 1.04M shares) and \$6.7M 7% convt. sub. debent. Debt is \$36.7M, all short-term notes. No public financing in next 6 months. Adviser: Galbreath Mtg. Co. Six month outlook: No growth in fundings if offset by improving portfolio yield may bring level or moderately increased earnings and dividends. An overhang of 63% due to warrants a longer-term negative but would add to capital since exercise price (\$32.00) is above share price. Shares carry a 9.0% est. yield. (VCK)

HEITMAN MORTGAGE INVESTORS (ASE-HTM)--FY ends Dec. 31--Price: \$12.88

-----Investment Record-Mil.\$-----				-----Key Ratios-----		-----Share Results-----		
Quar.	Assets	Port.	Equity	Port. Yield	Cap. Ret.	EPS Prim.	Diluted	Div.
9/72	\$107.3	\$ 94.6	\$21.6	11.02%	10.39%	\$0.32	\$0.30	\$0.32
12/72	121.1	107.4	21.8	10.81	10.85	0.38	0.33	0.35
3/73	137.4	122.6	32.5	11.87	11.04	0.40	0.35	NA
RANK	35	37	56	70	44	--	--	--

Portfolio dynamics: Holdings gained 30% over the last 6 months. Current portfolio of \$122.6M is 58% constr.; 16% intermediate; 10% land devel.; 10% long-term; 3% short-term; 2% junior; 1% wrap-around. Geographically investments are located 36% Ill.; 24% other Midwestern; 20% West; 9% East; 8% Hawaii; 3% Canada. No problem loans in portfolio. Between 75-80% of loans are tied to prime. Management expects portfolio to reach \$145M by June '73, an 18% gain, with composition remaining unchanged. Financing: Capital is \$52.4M with \$32.5M in equity (w. 3.11M shares) and \$19.9M $7\frac{1}{2}\%$ convt. debent. Debt is \$83.6M, all short-term notes. Trust has not determined whether it will seek public financing in next 6 months. Adviser: HMI Management Company, sub. of Heitman Mortgage Co. which is sub. of Computing & Software. Six month outlook: Gain in fundings, increase in portfolio yield and no dilution due to warrants should bring some earnings and dividend gains. Shares carry an attractive 10.3% yield and have capital gains potential. (VCK)

JUSTICE MORTGAGE INVESTORS (OTC-JUSTS)--FY ends Sept. 30--Price: \$23.13

-----Investment Record-Mil.\$-----				-----Key Ratios-----		-----Share Results-----		
Quar.	Assets	Port.	Equity	Port. Yield	Cap. Ret.	EPS Prim.	Diluted	Div.
9/72	\$31.4	\$30.9	\$20.0	11.53%	9.95%	\$0.46	\$0.36	\$0.46
12/72	44.3	42.5	20.0	12.34	11.85	0.55	0.44	0.55
3/73	58.7	52.2	20.6	12.50	12.82	0.60	NA	0.60
RANK	77	78	82	28	24	--	--	--

Portfolio dynamics: Investments increased 69% the last 6 months. Current portfolio of \$52.2M is 62% constr.; 32% acq. devel., land; 3% second mtg.; 3% other. Over 50% of loans are located in Texas with the remainder found in 10 other states. There are no problem loans in the portfolio. All loans are tied to prime and new loans are being tied to prime. Management estimates portfolio to reach \$81M by Sept. 73, a 56% gain, with composition unchanged. Financing: Capital is \$20.6M, all equity with 1.08M shares. Debt amounts to \$36.9M with \$20.0M $7\frac{3}{4}\%$ senior subor. debent. and \$16.9M notes. Sr. subor. debentures were offered Feb. 21. Trust plans to start issuing commercial paper in June. Adviser: Justice Mgmt., Inc., subsidiary of Glenn Justice Mortgage Co. Inc. of Dallas. Six month outlook: Strong funding growth and improving portfolio yield point to earnings and dividend increases over the near term. Warrant overhang of 124% a longer-term negative. Shares carry a good yield and longer term capital gains potential. (VCK)

LOMAS & NETTLETON MORTGAGE INVESTMENTS (NYSE-LOM)--FY ends June 30--Price: \$43.00

-----Investment Record-Mil.\$-----			-----Key Ratios-----			-----Share Results-----		
Quar.	Assets	Port.	Equity	Port. Yield	Cap. Ret.	EPS Prim.	Div.	
9/72	\$248.8	\$241.8	\$82.4	10.51%	12.24%	\$0.90	\$0.90	
12/72	329.7	319.1	121.1	9.89	11.55	0.92	0.92	
3/73	348.7	339.5	122.9	9.95	11.39	0.94	0.94	
RANK	4	4	4	107	54	--	--	

Portfolio dynamics: Funded investments rose 40% over the last 2 qtrs. Current portfolio of \$339.5M is 56% constr.; 18% devel.; 17% temporary-VA and FHA; 5% other short-term; 3% second mtg.; 1% real estate and lease purchases. Investments are located in 38 states with concentrations in Tex., Fla., Conn., La., Okla., Ariz., Calif. Two problem loans amounting to \$1.4M both should be settled by next quarter at no loss. About 55% of outstanding loans are tied to prime with new loans being tied to prime. Management expects portfolio to reach \$350M by Sept., a 3% gain, but this figure reflects the fact that trust will be out of \$56M in VA-FHA loans by then and this money will have to be reinvested. Financing: Capital is \$122.9M, all equity with 3.70M shares. Debt is \$221.7M with \$100.1M short-term bank notes; \$86.6M commercial paper; \$35.0M long-term notes. No public offering planned till fiscal 1975. Adviser: L&N Management, sub. of Lomas & Nettleton Financial, largest U.S. mtg. banker. Six month outlook: Slowdown in fundings should be offset by replacement of low yielding VA-FHA loans with higher yield loans. Trust has strong origination capabilities as well as ample financial access. No dilution due to warrants. Shares carry moderate yield and longer-term appreciation potential. (VCK)

KMC MORTGAGE INVESTORS (OTC-KMTGS)--FY ends Nov. 30--Price: \$11.00

-----Investment Record-Mil.\$-----			-----Key Ratios-----			-----Share Results-----		
Quar.	Assets	Port.	Equity	Port. Yield	Cap. Ret.	EPS Prim.	Diluted	Div.
8/72	\$27.2	\$26.1	\$15.2	10.41%	7.84%	\$0.27	\$0.27	\$0.23
11/72	29.0	26.7	15.4	9.94	8.81	0.31	0.31	0.31
2/73	32.1	28.7	15.2	10.05	8.44	0.29	0.29	0.29
RANK	108	111	94	92	95	--	--	--

Portfolio dynamics: Investments rose 10% over the last 2 qtrs. Current portfolio of \$28.7M is 67% constr.; 26% land devel.; 3% second mtg.; 2% land acq.; 2% residential constr. Most investments are located within 300 miles of Lexington, Ky. except for one loan in Phoenix and another in Decatur, Ala. No problem loans in portfolio. About 59% of loans are tied to prime and all new loans are being tied to prime. We are estimating a 5% increase in fundings for the next 6 months. Financing: Capital of trust is \$15.2M, all equity with 1.10M shares. Debt is \$16.7M, all bank borrowings. No public offering planned next 6 months. Trust will increase bank lines and shortly plans to issue commercial paper. Adviser: Trust Advisers, Inc.; sub. of Kentucky Mtg. Co., largest mtg. banker in Kentucky. Six month outlook: Slowdown in funding growth may be offset by higher portfolio yield from roll-over of fixed investments. Slight gain in earnings and dividends can be expected. Overhang of 100% due to warrants a longer-range negative factor. Yield of 10.4% is attractive. (VCK)

M&T MORTGAGE INVESTORS (OTC-MTMIS)--FY ends Aug. 31--Price: \$11.75

-----Investment Record-Mil.\$-----			-----Key Ratios-----			-----Share Results-----		
Quar.	Assets	Port.	Equity	Port. Yield	Cap. Ret.	EPS Prim.	Diluted	Div.
8/72	\$34.3	\$32.3	\$15.2	10.25%	12.69%	\$0.35	\$0.32	\$0.27
11/72	36.3	33.0	15.2	10.25	11.56	0.30	0.27	0.29
2/73	37.3	33.8	15.2	10.08	11.64	0.30	0.28	0.29
RANK	100	101	95	105	47	--	--	--

Portfolio dynamics: Investments increased 5% over the last 2 qtrs. Current portfolio is 75% constr. & devel.; 19% conventional; 5% FHA-VA; 1% conventional second mtg. All investments are located in Texas and are primarily loans on single family homes. Trust has no problem loans. None of the investments are tied to prime and new loans are not being tied to prime. We expect fundings to grow by 10% over the next 6 months with composition unchanged. Financing: Capital of trust is \$15.2M, all equity with 1.48M shares. Debt amounts to \$22.0M, all bank borrowings. No public financing in next 6 months. Adviser: M&T Management Co., sub. of Mortgage and Trust Inc. of Houston, a mtg. banker. Six month outlook: Moderate funding growth and a bit of decline in portfolio yield may put a damper on earnings and dividend gains. An overhang of 50% due to warrants a slight negative. Shares have good yield and longer term potential based on continued regional growth. (VCK)

MIDLAND MORTGAGE INVESTORS (NYSE-MMT)--FY ends June 30--Price: \$15.63

Investment Record-Mil.\$-----			Key Ratios-----			Share Results-----		
Quar.	Assets	Port.	Equity	Port. Yield	Cap. Ret.	EPS Prim.	Diluted	Div.
9/72	\$92.9	\$82.0	\$20.7	10.79%	11.79%	\$0.43	\$0.38	\$0.42
12/72	99.7	89.2	21.8	10.58	12.50	0.45	0.40	0.45
3/73	105.0	94.5	27.1	10.76	12.39	0.44	0.41	0.43
RANK	49	53	69	86	32	--	--	--

Portfolio dynamics: Holdings gained 15% over the last 2 qtrs. Current portfolio of \$94.5M is 87% constr.; 8% land devel.; 5% standing. About 34% of loans are located in Okla., 13% each in Colo. and Fla., 11% in Texas and the remainder in 14 states. Trust has four problem loans amounting to \$3.9M & management states that little or no loss of principal will be suffered. Interest is current on three loans and the fourth problem loan of \$70T is in default. Some 65-75% of loans are tied to prime and most new loans are being tied to prime. Mgmt. expects fundings to grow by some \$10M per quarter, a 21% gain over the next 6 months, with composition unchanged. Financing: Capital of trust is \$34.1M with \$27.1M in equity (w. 2.19M shares) and \$7.0M 7% convt. sub. debent. Debt amounts to \$69.3M with \$36.5M commercial paper; \$20.0M 8% senior sub. notes; \$12.8M bank notes. On Feb. 28, 1973 trust had a \$20.0M offering of 8% sen. sub. notes due 1980 at 99% done thru Smith Barney and Stone & Webster. Adviser: Midland Mtg. Co., a mtg. banker. Six month outlook: Good growth in fundings aided by improving portfolio yield should produce moderate earnings and dividend increases. Overhang of 13% due to warrants very minor minus. Shares carry a high 10.8% est. yield and capital gains potential. (VCK)

PALOMAR MORTGAGE INVESTORS (ASE-PMI)--FY ends Nov. 30--Price: \$15.75

Investment Record-Mil.\$-----			Key Ratios-----			Share Results-----		
Quar.	Assets	Port.	Equity	Port. Yield	Cap. Ret.	EPS Prim.	Diluted	Div.
8/72	\$53.0	\$48.9	\$24.1	11.06%	12.62%	\$0.42	\$0.42	\$0.35
11/72	62.4	55.4	24.3	10.98	12.71	0.42	0.42	0.38
2/73	67.9	60.2	24.1	11.03	12.76	0.43	0.43	0.40
RANK	69	70	75	71	26	--	--	--

Portfolio dynamics: Holdings increased by 23% over the last 2 qtrs. Current portfolio of \$60.2M is 63% constr. and 37% intermediate (less than 5 year). About 45% of loans are located in California with the remainder in the southwest and south central states. No problem loans in portfolio. Some 45% of loans are tied to prime. Mgmt. expects funded portfolio to reach \$69M by Aug. '73, a 15% gain, with composition unchanged. Financing: Capital is \$24.1M, all equity with 1.81M shares. Debt amounts to \$43.3M, in bank loans. No public financing in next 6 months. Adviser: P.M.I. Management Corp., sub. of Palomar Financial, a mtg. banker. Six month outlook: Good growth in fundings matched with an improving portfolio yield indicate moderate earning and dividend gains near term. Overhang of 33% due to warrants a bit of a negative. Shares carry attractive 10.6% est. yield. (VCK)

NORTH AMERICAN MORTGAGE INVESTORS (NYSE-NAM)--FY ends Dec. 31--Price: \$25.88

Investment Record-Mil.\$-----			Key Ratios-----			Share Results-----		
Quar.	Assets	Port.	Equity	Port. Yield	Cap. Ret.	EPS Prim.	Cash Fl.*	Div.
9/72	\$175.1	\$162.0	\$60.7	11.68%	17.06%	\$0.60	\$0.63	\$0.63
12/72	198.7	177.1	63.9	12.01	16.98	0.61	0.64	0.64
3/73	203.8	175.9	64.0	11.69	15.94	0.58	0.61	0.61
RANK	15	17	22	46	6	*Non-cash debt expense.		

Portfolio dynamics: Fundings rose only 9% the past six months, partly resulting from management's desire to maintain portfolio quality and heavy paybacks in late March. Commitments are rising (\$136M at Mar. 31), reflecting marked increase in both quality and quantity of applications following withdrawal of many major banks from construction lending earlier this year. Constr. & devel. loans, mainly on high-rise office and apartment buildings, are about 65% of mix, up 5%; short-term standing loans are about 26%. Two problem loans of \$3.2M (1.8% of fundings) are held but no loss expected. We believe fundings will grow about 15% next 2 quar. Financing: Capital of \$64.0M is all equity w. 4.40M sh. Debt of \$134.0M is primarily commercial paper. Adviser: Sonnenblick-Goldman Corp., national mortgage broker. Six month outlook: Recent *Wall Street Journal* reports of lower June quar. earnings are disputed by management and higher commitments point to recovery from March quarter's decline, cut \$0.04/sh. by high commercial paper rates. Shares, down sharply in recent weeks, are a solid longer-term buy. (KDC)

TEXAS FIRST MORTGAGE REIT (OTC-TFMRS)--FY ends June 30--Price: \$19.63

-----Investment Record-Mil.\$-----			-----Key Ratios-----			-----Share Results-----		
Quar.	Assets	Port.	Equity	Port.Yield	Cap. Ret.	EPS Prim.	Diluted	Div.
9/72	\$47.6	\$42.3	\$19.7	11.21%	9.58%	\$0.44	\$0.44	\$0.44
12/72	55.4	45.4	19.7	11.79	10.29	0.48	0.42	0.48
3/73	60.3	51.8	19.7	11.24	10.95	0.51	0.45	0.50
RANK	75	79	85	62	59	--	--	--

Portfolio dynamics: Holdings gained 22% over the last 6 months. Current portfolio is 65% constr.; 30% devel.; 3% other short-term; 2% real estate. Some 85% of investments are located in Texas with the remainder in 8 other states and Wash. D. C. There are no problem loans. About 95% of loans are tied to prime and all new loans are being tied to prime. Mgmt. expects portfolio to reach \$65M-\$70M by Sept.'73, a 25%-35% increase with composition unchanged except that it is working to dispose of the real estate holdings. Financing: Capital is \$19.7M, all equity with 1.06M shares. Debt amounts to \$39.8M with \$29.8M bank notes and \$10.0M commercial paper. Trust does not plan a public financing in next six months. Adviser: Texas First Mortgage Advisers, Inc., sub. of First Mortgage Co. of Texas, Inc. Six month outlook: Good growth in fundings matched with an attractive, though slightly declining, portfolio yield points to further gains in earnings and dividends. Overhang of 100% due to warrants a negative which should not strongly affect near term results. Shares have an attractive yield and have capital gains potential for regional representation. (VCK)

SUTRO MORTGAGE INVESTMENT TRUST (NYSE-SUT)--FY ends Mar. 31--Price: \$16.75

-----Investment Record-Mil.\$-----			-----Key Ratios-----			-----Share Results-----		
Quar.	Assets	Port.	Equity	Port.Yield	Cap. Ret.	EPS Prim.	Diluted	Div.
9/72	\$72.5	\$71.5	\$35.3	9.68%	9.29%	\$0.39	\$0.39	\$0.425
12/72	82.4	81.3	35.5	9.83	9.45	0.40	0.40	0.40
3/73	91.2	90.1	36.5	10.17	9.63	0.41	0.34	0.40
RANK	57	54	50	103	76	--	--	--

Portfolio dynamics: Fundings gained 26% during the past 2 qtrs. Current portfolio is 90% constr. & participations; 3% junior; 3% real estate; 2% FHA-VA first mtg.; 2% first mtg. conventional. Some 45% of investments are located in Calif. with the remainder in 18 states and Wash. D. C. Trust has one holding of \$289T in foreclosure and management expects no loss of principal. About 43% of present loans are tied to prime and over half of new loans are being tied to the higher of prime or the commercial paper rate. We expect a 25% gain in fundings in next 6 months and management expects composition to remain the same. Financing: Capital of trust amounts to \$57.5M with \$36.5M in equity (w.2.31M shares); \$17.5M 6 3/4% subor. convt. debent. due 1982; \$3.5M 6 3/4% subor. convt. debent. due 1991. Debt comes to \$32.1M, all notes. Trust plans no offering in next 6 months. Adviser: Ralph C. Sutro Co., a mtg. banking firm which is in the process of being acquired by The National Detroit Corp., a bank holding company. Six month outlook: Growth in fundings and a higher portfolio yield should produce moderate earnings and dividend gains. Acquisition by bank holding company will strengthen origination capabilities which are already good. Shares carry decent yield and represent a longer-term capital gains candidate. (VCK)

HAMILTON INVESTMENT TRUST (OTC-HAMTS)--FY ends Dec. 31--Price: \$17.50

-----Investment Record-Mil.\$-----			-----Key Ratios-----			-----Share Results-----		
Quar.	Assets	Port.	Equity	Port.Yield	Cap. Ret.	EPS Prim.	Diluted	Div.
9/72	\$66.9	\$60.0	\$26.8	9.91%	9.02%	\$0.41	\$0.41	\$0.40
12/72	88.3	77.6	27.0	10.26	10.85	0.51	0.51	0.50
3/73	95.9	82.8	27.1	10.85	12.03	0.56	0.56	0.52
RANK	55	58	68	79	39	--	--	--

Portfolio dynamics: Portfolio increased by 38% over the last 2 qtrs. Current portfolio of \$82.8M is 63% constr.; 16% land devel.; 14% interim; 3% gap; 2% land; 1% land leasebacks; 1% wrap-around and junior. Investments are located in 17 states with biggest concentration in New Jersey. Trust has no problem loans. About 50-60% of loans are tied to prime. We are estimating a 20% growth in fundings in next 6 months and management states that new fundings will be short-term loans. Financing: Capital of trust is \$27.1M, all equity with 1.44M shares. Debt amounts to \$68.0M with \$63.5M bank notes and \$4.5M commercial paper. On May 8, 1973 trust offered 650T units (1 share, 1 wt.) at \$19.50. Adviser: Hamilton Advisers, Inc., 40% owned by Jersey Mtg. Co., a mtg. banker, and 20% owned

each by Food Fair Stores and Amterre Development (formerly Food Fair Properties). Six month outlook: Continued funding growth, improving portfolio yield may not be able to generate earnings and dividend gains due to higher shares from offering. Dilution due to warrants before offering was 100%, another negative to earning and dividend gains. Pre-sent shares carry high yield. (VCK)

LARWIN MORTGAGE INVESTORS (NYSE-LWN)--FY ends June 30--Price: \$27.00

Investment Record-Mil.\$-----			Key Ratios-----			Share Results-----		
Quar.	Assets	Port.	Equity	Port.Yield	Cap. Ret.	EPS Prim.	Diluted	Div.
9/72	\$111.4	\$103.9	\$37.3	11.43%	14.43%	\$0.67	\$0.67	\$0.67
12/72	126.4	118.9	37.3	11.15	14.83	0.69	0.69	0.69
3/73	135.3	124.9	37.5	10.82	14.73	0.69	0.69	0.69
RANK	36	36	49	80	13	--	--	--

Portfolio dynamics: Portfolio was up 20% over the past 6 months. By type of loan, current portfolio of \$124.9M is broken down: 51% multi residential, 14% shopping centers; 12% office; 11% commercial; 10% land and devel.; 2% industrial. Commitments are located in 22 states, Canada, England and P.R. with some 21% in Texas. Trust has 2 problem loans amounting to \$4.4M, both which are not accruing interest and are shortly going into foreclosure. Mgmt. expects no loss of principal in either loan. Some 70% of present loans are tied to prime and all new loans are being tied to prime. We are estimating a 20% gain in portfolio in next six months. New loans will stress commercial and office building segment. Financing: Capital of \$37.5M is all equity with 2.01M shares. Debt amounts to \$95.7M with \$36.6M in notes; \$34.1M commercial paper; \$25.0M 6 3/4% subor. debent. Adviser: Larwin Advisors, sub. of Larwin Group, real estate division of CNA Financial. Six month outlook: Portfolio yield decline may be reversed so that funding growth can produce moderate dividend and earnings gains. Shares have an attractive yield. (VCK)

NATIONAL MORTGAGE FUND (OTC-NMTGS)--FY ends Feb. 28/29--Price: \$13.75

Investment Record-Mil.\$-----			Key Ratios-----			Share Results-----		
Quar.	Assets	Port.	Equity	Port.Yield	Cap. Ret.	EPS Prim.	Diluted	Div.
8/72	\$54.4	\$48.2	\$18.5	11.40%	12.76%	\$0.35	\$0.31	\$0.36
11/72	59.7	52.7	21.6	11.72	13.44	0.35	0.31	0.35
2/73	69.1	61.3	22.9	11.59	12.77	0.36	0.34	0.37
RANK	68	68	78	50	25	--	--	--

Portfolio dynamics: Holdings increased 27% over the last 2 qtrs. Current fundings of \$61.3M are 65% constr.; 19% land devel.; 12% permanent conventional; 4% FHA-VA. Trust has no problem loans. Some 55% of present loans and some 85% of unfunded commitments are tied to prime. Trust recently closed a loan with a rate pegged to the higher of prime or the commercial paper rate. We expect a 30% rise in fundings next 6 months. Financing: Capital amounts to \$27.8M with \$22.9M in equity (w. 2.23M shares); remainder in sub. convt. debent. Debt totals \$40.4M, mainly \$26.3M bank notes and \$12.5M commercial paper. A public offering is possible the next 6 months. Adviser: NFM, Inc., sub. of Citizens Financial Corp. Six month outlook: Estimated strong growth in fundings offset by slightly declining portfolio yield should result in moderate earnings and dividend gains. Shares carry high yield and have capital gains potential. (VCK)

GUARDIAN MORTGAGE INVESTORS (NYSE-GMI)--FY ends Feb. 28/29--Price: \$40.13

Investment Record-Mil.\$-----			Key Ratios-----			Share Results-----		
Quar.	Assets	Port.	Equity	Port.Yield	Cap. Ret.	EPS Prim.	Diluted	Div.
8/72	\$227.9	\$204.2	\$53.6	11.18%	13.89%	\$1.05	\$0.98	\$0.98
11/72	263.6	239.7	60.1	10.94	13.72	1.07	0.94	1.00
2/73	319.3	293.7	62.8	10.92	14.23	1.07	NA	1.02
RANK	5	6	24	73	14	--	--	--

Portfolio dynamics: Investments rose 44% the past six months and yield was sustained, partly through moderately higher commitment fees. Unfunded commitments are about \$250M, with mix about 63% short-term const. & devel. loans, 22% land acquisition and development, 15% permanent loans and leasebacks. We expect a 17% gain in fundings the next six months. Four problem loans totaling \$3.9M (or 1.3% of fundings) are held but little or no loss is expected. Financing: Capital of \$74.6M is nearly all equity. Non-convertible debt of \$223.1M is about 60% commercial paper, 30% bank borrowings and 10% in a 7½% senior subor. note. Adviser: A subsidiary of Charter Co., Florida mtg. banker. Six month outlook: While the rate growth has been slowing, GMI has shown good asset and liability management. The shares have a good 10.7% est. yield and longer-term gain potential. (KDC)